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BY THE COMPTROLLER GENERAL
**Report To The Chairman,
Committee On House Administration
House Of Representatives
OF THE UNITED STATES**

**Audit Of The House Of Representatives
Restaurant Revolving Fund
October 8, 1978, to October 6, 1979**



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APRIL 23, 1980





COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-197986

The Honorable Frank Thompson, Jr., Chairman
Committee on House Administration
House of Representatives

Dear Mr. Chairman:

We audited the House of Representatives Restaurant Revolving Fund for the period October 8, 1978, to October 6, 1979, pursuant to a July 16, 1979, request from the Honorable Ed Jones, Chairman, Subcommittee on Services.

GENERAL COMMENTS

As of October 6, 1979, House Restaurant facilities consisted of (1) two cafeterias, one each in the Longworth and Rayburn Buildings, (2) the congressional and Members' dining rooms in the House wing of the Capitol, (3) a catering service in the Rayburn Building, (4) a bakery in the Longworth Building, and (5) five carryouts, one each in the Capitol, Longworth, Cannon, Rayburn, and House Office Annex No. 2 Buildings. In addition to the food service facilities, there were five tobacco and candy stands, two in the Capitol Building and one each in the Longworth, Rayburn, and Annex No. 2 Buildings. During fiscal year 1979, the Restaurant served 2,858,227 customers--a 2.6 percent decrease under 1978.

Sales revenues are deposited in the U.S. Treasury and credited to the House Restaurant Revolving Fund for use in operating the Restaurant. Funds appropriated to the Architect of the Capitol are used to purchase Restaurant equipment and to pay for either improvements or changes in the Restaurant's facilities. The cost of these items, however, is not recorded in the House Restaurant Revolving Fund accounts.

SCOPE OF AUDIT

We made our audit in accordance with the Comptroller General's standards for financial and compliance audits. We reviewed operations and applicable Federal laws, observed the physical count of stock on hand, examined selected financial transactions and records, confirmed Members' account balances, and carried out such other auditing procedures as we considered necessary in the circumstances.

RESULTS OF OPERATIONS

For the fiscal year ended October 6, 1979, the House Restaurant's net income was \$315,799. The net income for the fiscal year ended October 7, 1978, was \$11,856.

Analysis of operating results for the 2 fiscal years showed a substantial improvement in food operations--from a net loss of about \$180,500 in 1978 to net income of about \$122,400 in 1979. This increase was due primarily to (1) increased income of about \$194,300 from Rayburn catering operations as a result of increased sales and reduced labor costs and (2) a reduction in the loss from operating the congressional restaurant and Members' Dining Room of about \$64,500 as a result of better control over labor costs and closing these facilities during recess periods.

Net income from tobacco stand sales decreased about \$6,900--from about \$174,800 in 1978 to about \$167,900 in 1979. The decrease was due to lower sales.

A condensed comparison of sales, commissions, and operating results for the various Restaurant activities during 1979 and 1978 follows.

B-197986

	1979		1978	
	Sales and commis- sions	Operating income or (loss)	Sales and commis- sions	Operating income or (loss)
Food:				
Dining rooms:				
Congressional (note a)	\$ 398,182	\$ (301,229)	\$ 480,581	\$ (359,201)
Members	18,940	(33,997)	27,825	(46,432)
Cafeterias:				
Longworth Building (note b)	1,067,756	36,855	989,460	13,943
Rayburn Building (note c)	1,005,532	42,624	877,533	19,465
Carryout service:				
Longworth Building	298,117	35,394	253,235	27,612
Cannon Building	289,105	37,198	292,407	43,840
Rayburn Building	232,006	31,111	235,292	31,823
Capitol Building	179,917	12,715	167,128	25,686
Annex No. 2 Building	296,080	(35,782)	243,091	(30,814)
Catering service:				
Rayburn Building	665,267	294,997	434,669	100,656
Bakery (note d)	876	2,561	12,923	(7,087)
Total	<u>\$4,451,778</u>	<u>\$ 122,447</u>	<u>\$4,014,144</u>	<u>\$ (180,509)</u>
Tobacco and candy stands:				
Congressional dining room	43,332	11,993	62,110	17,886
Cafeterias:				
Longworth Building	355,267	76,624	374,799	84,228
Rayburn Building	204,787	47,916	193,760	49,984
Carryout service:				
Capitol Building	33,067	9,540	26,194	5,564
Annex No. 2 Building	91,529	21,875	78,521	17,149
Total	<u>\$ 727,982</u>	<u>\$ 167,948</u>	<u>\$ 735,384</u>	<u>\$ 174,811</u>
Vending machine commissions	<u>25,404</u>	<u>25,404</u>	<u>17,554</u>	<u>17,554</u>
Total	<u>\$5,205,164</u>	<u>\$ 315,799</u>	<u>*\$4,767,082</u>	<u>\$ 11,856</u>

a/Includes catering sales of \$78,852 for fiscal year 1979 and \$79,538 for fiscal year 1978.

b/Includes catering sales of \$99,910 for fiscal year 1979 and \$50,930 for fiscal year 1978.

c/Includes sales of food to the Rayburn Catering Service of \$198,210 for fiscal year 1979 and \$139,136 for fiscal year 1978.

d/Sales of \$876 in fiscal year 1979 were made to the Senate Restaurants. These sales were discontinued in December 1978. Also, sales of \$149,349 in fiscal year 1979 and \$144,853 in fiscal year 1978 were made to other House Restaurant facilities, and are included in their costs.

A comparative statement of assets and liabilities of the House of Representatives Restaurant Revolving Fund on October 6, 1979, and October 7, 1978; a comparative statement of operations for the fiscal years ended in 1979 and 1978; and a comparative statement of changes in financial position for the fiscal years ended October 6, 1979, and October 7, 1978, are presented as schedules 1, 2, and 3. A comparison of sales and operating results, prepared by the House Restaurant accounting staff, for each of the units for fiscal year 1979 is presented as exhibit A.

INTERNAL CONTROL IMPROVEMENTS

In our fiscal year 1977 report we recommended that the Restaurant administrative officer take periodic inventories of the tableware and kitchenware to ascertain whether the procedures used for allocating replacement expenses resulted in accurate charges to the operating units.

At the end of fiscal year 1979 the Restaurant accounting office staff and the unit managers attempted to take physical inventories of tableware and kitchenware. However, because of inadequacies in the procedures for counting and recording the inventories, accurate pricing was impractical. As a result, tableware and kitchenware replacement expenses were, as in previous years, allocated to the operating units using a percentage of sales method.

Recommendation

We recommend that the Restaurant administrative officer and the unit managers adopt improved procedures for counting and recording an accurate tableware and kitchenware inventory which would serve as a better basis for allocating replacement expenses to operating units.

STATUS OF ACCOUNTS RECEIVABLE

The accounts receivable balances at September 30, 1979, amounted to \$229,528, about 38.3 percent greater than the September 30, 1978, balances. At September 30, 1979, \$58,052, or 25.3 percent, was outstanding over 60 days, compared with \$28,737, or 17.3 percent, at September 30, 1978. A comparison of the accounts receivable between fiscal years 1979 and 1978 follows:

<u>Days outstanding</u>	<u>September 30, 1979</u>		<u>September 30, 1978</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
0 to 30	\$166,488	72.5	\$124,756	75.2
31 to 60	4,988	2.2	12,464	7.5
61 to 90	17,564	7.7	9,013	5.4
Over 90	<u>40,488</u>	<u>17.6</u>	<u>19,724</u>	<u>11.9</u>
Total	<u>\$229,528</u>	<u>100.0</u>	<u>\$165,957</u>	<u>100.0</u>

At January 18, 1980, 69.1 percent of the September 30, 1979, accounts receivable balance had been collected.

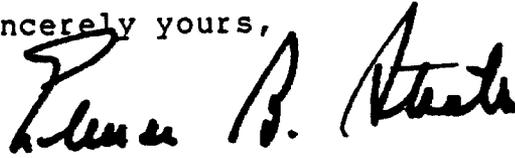
The Restaurant accounting office periodically prepares a list of outstanding accounts and submits the list to the Subcommittee on Services. During the year, the staff of the Subcommittee on Services mailed collection letters to customers whose accounts were delinquent 60 days and telephoned those who were delinquent 90 days to encourage payments.

OPINION ON FINANCIAL STATEMENTS

We prepared the accompanying financial statements (schs. 1, 2, and 3) from the accounting records maintained on an accrual basis by the Restaurant accounting office. The statements do not include the cost of equipment and furnishings acquired with funds appropriated to the Architect of the Capitol or the cost of certain benefits and services, such as space, building repairs and maintenance, utilities, garbage disposal, menus and forms printed by the Government Printing Office, and services of the staffs of the Committee on House Administration and its Subcommittee on Services, all of which are furnished to the Restaurant without charge.

In our opinion schedules 1, 2, and 3, which were prepared on a basis consistent with that of the preceding year and in accordance with the financial arrangements described above, present fairly the financial position of the House of Representatives Restaurant Revolving Fund at October 6, 1979, and October 7, 1978; the results of its operations; and the changes in its financial position for the fiscal years then ended.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Eugene B. Steinhilber". The signature is written in a cursive style with a large initial "E".

Comptroller General
of the United States

HOUSE OF REPRESENTATIVES RESTAURANT REVOLVING FUNDCOMPARATIVE STATEMENT OF ASSETS AND LIABILITIESOCTOBER 6, 1979, AND OCTOBER 7, 1978

	<u>October 6, 1979</u>	<u>October 7, 1978</u>
ASSETS		
CASH:		
Funds with U.S. Treasury	\$527,646	\$263,547
Undeposited receipts (note a)	14,860	19,753
Petty cash and change funds	<u>16,850</u>	<u>19,850</u>
	\$ 559,356	\$303,150
PREPAID EXPENSES	9,094	2,865
ACCOUNTS RECEIVABLE	236,119	193,641
INVENTORY OF FOOD, BEVERAGES, MERCHANDISE, AND SUPPLIES, AT COST	<u>231,284</u>	<u>144,443</u>
Total assets	<u>\$1,035,853</u>	<u>\$644,099</u>
LIABILITIES AND EQUITY		
LIABILITIES:		
Amounts due vendors	\$242,503	\$203,059
Net payroll and benefits	102,589	74,255
Federal and state withholding taxes	26,469	13,795
Employees' accrued leave	115,268	94,844
Allowance for purchase of china, glassware, silverware, and kitchen utensils	<u>(28,103)</u>	<u>(3,182)</u>
Total liabilities	<u>\$ 458,726</u>	<u>\$382,771</u>
EQUITY:		
Contributed capital	50,000	50,000
Operating funds:		
Balance at beginning of year	211,328	199,472
Net income (sch. 2)	<u>315,799</u>	<u>11,856</u>
Total equity	<u>577,127</u>	<u>261,328</u>
Total liabilities and equity	<u>\$1,035,853</u>	<u>\$644,099</u>

GAO note: The accompanying notes on page 4 are an integral part of this statement.

Our opinion on this statement appears on page 5 of the letter.

HOUSE OF REPRESENTATIVES RESTAURANT REVOLVING FUNDCOMPARATIVE STATEMENT OF OPERATIONSFISCAL YEARS ENDED OCTOBER 6, 1979, AND OCTOBER 7, 1978

	Fiscal year ended October 6, 1979		Fiscal year ended October 7, 1978	
	Amount	Percent of sales	Amount	Percent of sales
SALE OF FOOD:				
Regular services	\$3,409,540	76.7	\$3,309,871	82.5
Catering (note b)	<u>1,042,238</u>	<u>23.3</u>	<u>704,273</u>	<u>17.5</u>
Total	4,451,778	100.0	4,014,144	100.0
Cost of food sold	<u>1,737,068</u>	<u>39.1</u>	<u>1,644,476</u>	<u>41.0</u>
GROSS PROFIT	<u>2,714,710</u>	<u>60.9</u>	<u>2,369,668</u>	<u>59.0</u>
OPERATING EXPENSES: (note b)				
Salaries and wages				
Straight time	1,562,467	35.1	1,552,468	38.7
Overtime	91,550	2.1	105,033	2.6
Leave expense	122,113	2.7	121,428	3.0
Employee meals	77,827	1.7	75,771	1.9
Employee benefits	165,161	3.7	161,664	4.0
Administrative costs (note c)	184,555	4.1	142,864	3.6
Laundry	48,283	1.1	64,621	1.6
Paper supplies	168,498	3.8	158,494	3.9
Cleaning supplies	49,647	1.1	48,029	1.2
Miscellaneous	48,444	1.1	51,443	1.3
Replacement of china glassware, silverware, and kitchen utensils	<u>73,718</u>	<u>1.7</u>	<u>68,362</u>	<u>1.7</u>
Total	<u>2,592,263</u>	<u>58.2</u>	<u>2,550,177</u>	<u>63.5</u>
PROFIT OR (LOSS) ON FOOD OPERATIONS	<u>122,447</u>	<u>2.7</u>	<u>(180,509)</u>	<u>4.5</u>
TOBACCO AND CANDY STAND MERCHANDISE:				
Sales	727,982	100.0	735,384	100.0
Cost of sales	<u>485,407</u>	<u>66.7</u>	<u>488,984</u>	<u>66.5</u>
GROSS PROFIT	242,575	33.3	246,400	33.5
TOBACCO AND CANDY STAND LABOR AND BENEFITS (note d)	<u>74,627</u>	<u>10.2</u>	<u>71,589</u>	<u>9.7</u>
INCOME FROM TOBACCO AND CANDY OPERATIONS	<u>167,948</u>	<u>23.1</u>	<u>174,811</u>	<u>23.8</u>
VENDING MACHINE COMMISSION	<u>25,404</u>		<u>17,554</u>	
NET INCOME FOR THE FISCAL YEAR	\$ <u>315,799</u>		\$ <u>11,856</u>	

GAO note: The accompanying notes on page 4 are an integral part of this statement.

Our opinion on this statement appears on page 5 of the letter.

HOUSE OF REPRESENTATIVES RESTAURANT REVOLVING FUND
COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION
FISCAL YEARS ENDED OCTOBER 6, 1979, AND OCTOBER 7, 1978

	<u>OCTOBER 6, 1979</u>	<u>OCTOBER 7, 1978</u>
FUNDS PROVIDED:		
Sales and commissions	\$5,205,164	\$4,767,082
Decrease in working capital	-----	----- 3,212
Total	<u>\$5,205,164</u>	<u>\$4,770,294</u>
FUNDS APPLIED:		
Cost of merchandise sold	\$2,222,473	\$2,133,460
Salaries and wages	1,715,001	2,087,953
Other operating expenses	951,890	533,813
Decrease in reserve for replacement of china, glassware, and silverware	24,921	15,068
Increase in working capital	<u>290,879</u>	-----
Total	<u>\$5,205,164</u>	<u>\$4,770,294</u>

ANALYSIS OF CHANGES IN WORKING CAPITAL

FISCAL YEARS ENDED OCTOBER 6, 1979, AND OCTOBER 7, 1978

	Increase or (decrease) <u>in working capital</u>	
	<u>October 6, 1979</u>	<u>October 7, 1978</u>
WORKING CAPITAL CHANGES:		
Cash	\$256,206	\$(37,926)
Accounts receivable	42,478	50,069
Inventories	86,841	16,913
Prepaid expenses	6,229	(119)
Amounts due vendors	(39,444)	(4,021)
Payroll, benefits, and taxes payable	(41,008)	(11,802)
Employees' accrued leave	<u>(20,423)</u>	<u>(16,326)</u>
Increase or (decrease) in working capital	<u>\$290,879</u>	<u>\$ (3,212)</u>

GAO note: The accompanying notes on page 4 are an integral part of this statement.

Our opinion on this statement appears on page 5 of the letter.

HOUSE OF REPRESENTATIVES RESTAURANT

REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS

OCTOBER 6, 1979

- a/Receipts sent to the House Finance Office for deposit to the credit of the Revolving Fund.
- b/Miscellaneous costs and service costs related to catered events held outside of normal operating hours are not included by the House Restaurant as sales or operating expenses, but are billed directly to customers. These costs and billings were reviewed and verified during our audit. Also, the cost of equipment and furnishings acquired with funds appropriated to the Architect of the Capitol or the cost of certain benefits and services, such as space, building repairs and maintenance, utilities, garbage disposal, menus and forms printed by the Government Printing Office, and services of the staffs of the Committee on House Administration and its Subcommittee on Services, are furnished to the Restaurant without charge.
- c/Administrative costs for the fiscal year ended October 6, 1979, consist of straight time (\$151,471), leave expense (\$16,521), employee meals (\$3,401), and employee benefits (\$13,162).
- d/Tobacco and candy stand labor and benefits for the fiscal year ended October 6, 1979, consist of straight time (\$58,007), overtime (\$2,978), leave expense (\$5,245), employee meals (\$2,113) and employee benefits (\$6,284).



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